FEDERAL COMMUNICATIONS COMMISSION
Washington, D. C. 20554

FILE

NOV 20 2003

OFFICE OF
MANAGING DIRECTOR

William D. Wallace, Esq.
Crowell & Moring LLP
1001 Pennsylvania Ave., N.W.
Washington, D.C. 20004

Re: Request for Deferral and Waiver of FY 2003 Regulatory Fee
L/Q Licensee, Inc.
Fee Control No. 00000RROG-03-101

Dear Mr. Wallace:

This letter responds to your request dated September 24, 2003, for a waiver of the Fiscal Year (FY) 2003 regulatory fee in the amount of $108,375.00 filed on behalf of L/Q Licensee, Inc. (LQL). You also seek a deferral of the fee pending disposition of your request for waiver.

You recite that LQL is the licensee of the Globalstar Mobile Satellite Service (MSS) non-geostationary (NGSO) satellite system. The license was assigned to LQL by its parent, Loral/Qualcomm Partnership, L.P. (LQP), which wholly owns LQL. Pursuant to an agreement with LQP, Globalstar, L.P. (GLP) owns and operates the constellation of NGSO satellites and manages the MSS business. You state that on February 15, 2002, GLP and certain affiliates filed for Chapter 11 protection in the United States Bankruptcy Court for the District of Delaware. In addition, you state that LQP and its two general partners also sought Chapter 11 protection in the District of Delaware on February 15, 2002, and that GLP's managing general partner, Loral Qualcomm Satellite Services, L.P. (LQSS), also filed for bankruptcy protection in the same court. You state further that LQP is the managing partner of LQSS, which in turn is the managing partner of GLP, and that LQSS and LQP have no business interests other than their participation in GLP. You assert that, as a result of GLP's bankruptcy, no funding is available to LQL from the MSS business to pay expenses that are not related to operation of the system, such as the regulatory fee. In support of your waiver request, you submit Form 10-Q for GLP, the Quarterly Report for the period ended June 30, 2003, filed with the Securities and Exchange Commission. You also provide copies of the bankruptcy filings.

The Commission will grant waivers of its regulatory fees on a sufficient showing of financial hardship. Evidence of bankruptcy or receivership is sufficient to establish financial hardship. *See Implementation of Section 9 of the Communications Act*, 10 FCC Rcd 12759, 12761-62 (1995) (waivers granted for licensees whose stations are bankrupt, undergoing Chapter 11 reorganization, or in receivership). You have submitted information showing that GLP and LQP, which wholly owns the licensee LQL, have been the subject of Chapter 11 bankruptcy proceedings since February 15, 2002.

Therefore, your request for waiver of the FY 2003 regulatory fee is granted. Accordingly, your request for deferral is now moot.

If you have any questions concerning this letter, please contact the Revenue and Receivables Operations Group at (202) 418-1995.

Sincerely,

Mark A. Reger
Chief Financial Officer

00000RR06-03-101

COPY

Before The
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

RECEIVED FCC 2003 SEP 25 P 2:56
ACCOUNT PROCESSING GROUP-OPT/RPT/TMT

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In re:	)	
	)	
L/Q LICENSEE, INC.	)	
(FRN: 0003-7648-67)	)	CALL SIGN S2115
	)	
Request for Waiver of	)	
FY2003 Regulatory fee	)	
	)	

To: The Managing Director

REQUEST FOR WAIVER OF FY2003 REGULATORY FEE

Pursuant to Section 1.1166 of the Commission's Rules, L/Q Licensee, Inc. ("LQL"), requests a waiver of the applicable Fiscal Year 2003 regulatory fee. LQL is the licensee of the Globalstar™ 1.6/2.4 GHz Mobile Satellite Service ("MSS") non-geostationary ("NGSO") satellite system. Due to compelling financial hardship, LQL requests a waiver of the $108,375.00 fee for FY2003 for its NGSO satellite system.

Deferral Requested. LQL is filing a concurrent request for deferral of the regulatory fee past the September 25, 2003 due date, and so, no fee is being submitted with this waiver request. See 47 C.F.R. § 1.1166(c).

The Globalstar System. Globalstar is an MSS system that provides voice, data and other telecommunications services over a constellation of NGSO satellites. The Commission granted LQL's parent, Loral/Qualcomm Partnership, L.P. ("LQP"), a license to launch and operate the system in January 1995.[1] Commercial service over the Globalstar system commenced in January 2000. The Globalstar system provides space segment capacity for service providers who are authorized to offer MSS to end users in individual countries.

As of June 30, 2003, Globalstar service was available in 133 countries, including the United States, through 24 gateway earth stations operated by Globalstar service providers. There were approximately 93,000 commercial subscribers as of that date. Subscribership has been steadily increasing, currently to over 100,000 subscribers.

The Globalstar Business. Pursuant to agreement with LQP, Globalstar, L.P. ("GLP"), owns and operates the satellite constellation and manages the international MSS business. GLP raised the financing to construct, launch and operate the system. GLP enters into contracts for space segment capacity with individual service providers, and also sells the rights to installation of gateway earth stations. In 2002, GLP acquired the assets and business of the North American Globalstar service providers from Vodafone Group PLC. It also acquired the French gateway and business of TE.SA.M., which provided Globalstar service in eleven European countries and several countries in North Africa. In these areas, GLP, through subsidiaries, now offers Globalstar subscriber services.

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[1] Loral/Qualcomm Partnership, L.P., 10 FCC Rcd 2333 (Int'l Bur. 1995). The license was subsequently assigned to LQL, a wholly-owned subsidiary of LQP.

Attached to this request is the June 30, 2003, Form 10-Q for GLP, filed with the U.S. Securities and Exchange Commission in August 2003. As explained therein, on February 15, 2002, GLP filed for Chapter 11 protection from creditors in the U.S. Bankruptcy Court for the District of Delaware. Form 10-Q, at 13. Since that time, GLP has been seeking new investors and working on a plan of reorganization with its principal creditors. On April 25, 2003, the U.S. Bankruptcy Court approved an investment transaction pursuant to which GLP's assets will be transferred to New Globalstar Corporation, a Delaware company to be controlled by ICO Global Communications (Holdings) Limited. Currently, the parties are in the process of seeking regulatory approvals for the transaction from the Department of Justice and the Commission.[2]

In addition, LQL's parent, Loral/Qualcomm Partnership, L.P. ("LQP") and that entity's two general partners, Loral General Partner, Inc., and LGP (Bermuda) Ltd., filed for Chapter 11 bankruptcy protection on February 15, 2002, in the

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[2] The Commission has assigned the applications associated with this transaction to IB Docket No. 03-136 (Public Notice, DA 03-1932, released June 12, 2003). The pleading cycle is complete, and the applications remain pending. As part of this transaction, LQL's license for the Globalstar constellation is being transferred directly to New Globalstar Corporation (File No. SAT-ASG-20030527-00095).

District of Delaware. GLP's managing general partner, Loral Qualcomm Satellite Services, L.P. ("LQSS"), also filed for bankruptcy protection in the same court.[3]

GLP's decision to seek bankruptcy protection was compelled by its grave financial difficulties. As of June 30, 2003, GLP had $279 million in assets and $3.4 billion in liabilities, which are subject to compromise in the Bankruptcy Court. Form 10-Q, at 9. Before the ICO investment agreement, GLP had been seeking new investment for the preceding 18 months. In parallel, GLP was working cooperatively with its senior lenders and other creditors on a financial restructuring plan. GLP anticipates that the new financing from ICO, if approved, will allow GLP to continue operations and emerge from bankruptcy as a reorganized company. If for some reason the ICO investment is not allowed, or consummation of the transaction is substantially delayed, then the Globalstar system may have to cease operation as a going concern.

As a result of GLP's bankruptcy, no funding is available to LQL from the MSS business to pay expenses that are not related to operation of the system and service to subscribers. LQL's financial situation arises directly from its relationship with GLP. The managing general partner of GLP is LQSS, and the managing general partner of LQSS is LQP. GLP is the entity holding financial investments for construction, launch and operation of the system. LQSS and LQP are entitled to

[3] Also attached to this request are copies of the docket sheets from the U.S. Bankruptcy Court for GLP (and its affiliates that filed for bankruptcy), LQP, Loral General Partner, Inc., LGP (Bermuda) Ltd., and LQSS.

revenues from the system, but have no business interests other than their participation in GLP.

Financial Hardship. The Commission has previously stated that "[e]vidence of bankruptcy or receivership is sufficient to establish financial hardship" in the context of a request for waiver of the Commission's regulatory fees.[4] GLP is currently involved in bankruptcy proceedings, which will continue until all regulatory approvals have been obtained for the ICO transaction, probably several more months. Continued operation of the Globalstar system is dependent upon approval for this new investment and upon restructuring GLP's debt in the bankruptcy proceeding. Meanwhile, all cash is needed for operations, and LQL does not have access to cash for payment of the FY2003 regulatory fee.

In addition to GLP's bankruptcy, the financial hardship suffered by the Globalstar business independently justifies a waiver of the regulatory fee.

> The Commission's rules currently provide for relief [from paying regulatory fees] in exceptional circumstances. Persons or entities that believe they . . . are experiencing extraordinary and compelling financial hardship, upon a showing that such circumstances override the public interest in reimbursing the Commission for its regulatory costs, may request a waiver, reduction or deferment of payment of the regulatory fee.[5]

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[4] Implementation of Section 9 of the Communications Act, 10 FCC Rcd 12759, ¶ 14 (1995).

[5] Assessment and Collection of Regulatory Fees for Fiscal Year 2001, 16 FCC Rcd 13525, ¶ 58 (2001).

The Globalstar system has suffered severe financial distress throughout the calendar years 2001, 2002 and 2003. Indeed, based on the financial situation of GLP and LQL during 2001 and 2002, the Commission granted LQL a waiver of the FY2001 and FY2002 regulatory fees.[6]

The financial difficulties of the Globalstar business are detailed in the attached Form 10-Q of GLP for the quarter ended June 30, 2003. Some of the most compelling financial difficulties facing the MSS system are summarized below.

Revenues Insufficient to Cover Costs. There are currently fewer Globalstar subscribers than are needed to generate revenues sufficient to cover operating cost requirements. As reported in the Form 10-Q, gross billings for Globalstar services reached $16.5 million for the six months ended June 30, 2003. Form 10-Q, at 10. Revenue from all Globalstar services was about $25 million. Id.

However, during the same time period, total operational expenses for the Globalstar system were approximately $56.5 million. Id. GLP's current revenues are not sufficient to fund the system's operations. Id., at 34.

Lack of Available Cash. As of June 30, 2003, GLP had on hand approximately $18 million in cash and cash equivalents. Form 10-Q, at 9. As indicated above, the first six months of 2003 required over three times that amount to keep the system operational. Other contingencies, such as anomalies in the

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[6] See Letter of Mark Reger, FCC Chief Financial Officer, to William D. Wallace (Jan. 7, 2002); Letter of Mark A. Reger, FCC Chief Financial Officer, to William D. Wallace (Jan. 15, 2003).

operation of individual satellites, could easily increase the level of costs beyond the cash reserve. In addition, GLP has terminated over 75 percent of its employees, and is now operating the minimum number of employees essential to maintain current operations. Form 10-Q, at 23-24.

Suspension of Interest Payments. Previously, in January 2001, GLP suspended indefinitely principal and interest payments on its funded debt instruments and also suspended dividend payments on its redeemable preferred partnership interests. Form 10-Q, at 23. GLP took this extraordinary step to conserve cash for operations and to continue service to subscribers. Non-payment of these obligations were "events of default" under the terms of debt instruments, a credit facility and vendor financing agreement. Id. As a result of GLP's bankruptcy, the payments on these obligations have been accelerated and are immediately due and payable.

Conclusion. The Globalstar system has continued to suffer severe financial difficulties during 2003. GLP, as a Debtor-in-Possession, has reached an agreement for new financing, but that investment in GLP's reorganization has not yet been obtained. Despite these financial difficulties, the system is continuing to provide important services globally to existing subscribers, many of whom would not otherwise have access to any telecommunications services. Subscribers, minutes of use and revenues are steadily increasing, but LQL still does not have access to cash from the MSS business to pay expenses that are not closely related to operation of the system, such as the FY2003 regulatory fee.

For the reasons set forth above, LQL requests a waiver of the FY2003 regulatory fee.

Respectfully submitted,

L/Q LICENSEE, INC.

Of Counsel:

William F. Adler
Vice President, Legal and
Regulatory Affairs
Globalstar, L.P.
3200 Zanker Road
San Jose, CA 95134
(408) 933-4401

William D. Wallace

CROWELL & MORING LLP
1001 Pennsylvania Avenue, N.W.
Washington D.C. 20004
(202) 624-2500

Its Attorneys

Date: September 24, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For The Quarterly Period Ended June 30, 2003

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Globalstar Telecommunications Limited

Cedar House
41 Cedar Avenue
Hamilton HM12, Bermuda
Telephone: (441) 295-2244

Commission File Number: 0-25456

Bermuda	**13-3795510**
(Jurisdiction of Incorporation)	*(IRS Identification Number)*

Globalstar, L.P.

3200 Zanker Road
San Jose, CA 95134
Telephone: (408) 933-4000

Commission File Number: 333-25461

Delaware	**13-3759024**
(Jurisdiction of Registration)	*(IRS Identification Number)*

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes ☑ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☑

As of July 31, 2003, there were 113,059,195 shares of Globalstar Telecommunications Limited common stock outstanding

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GLOBALSTAR TELECOMMUNICATIONS LIMITED AND GLOBALSTAR, L.P.

Form 10-Q

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PART I.

FINANCIAL INFORMATION

Item 1. *Financial Statements*

GLOBALSTAR TELECOMMUNICATIONS LIMITED
(A General Partner of Globalstar, L.P.)

CONDENSED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	June 30, 2003	December 31, 2002
ASSETS	$ —	$ —
LIABILITIES, CONVERTIBLE REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' (DEFICIT)		
Current liabilities		
Dividends payable	$ 59,130	$ 49,541
Equity losses in excess of partnership interests in Globalstar	885,705	880,810
Total current liabilities	944,835	930,351
Commitments and contingencies (Note 5)		
Convertible redeemable preferred stock		
8% Series A (3,861,430 and 3,836,463 shares outstanding at June 30, 2003 and December 31, 2002, respectively, $193 million and $192 million redemption value at June 30, 2003 and December 31, 2002, respectively)	187,431	186,220
9% Series B (345,254 and 343,021 shares outstanding at June 30, 2003 and December 31, 2002, respectively, $18 million redemption value at June 30, 2003 and December 31, 2002)	16,754	16,645
	204,185	202,865
Shareholders' (deficit):		
Convertible redeemable preferred stock, $.01 par value, 20,000,000 shares authorized		
8% Series A convertible redeemable preferred stock, (494,865 and 519,832 shares outstanding at June 30, 2003 and December 31, 2002, respectively, $25 million and $26 million redemption value at June 30, 2003 and December 31, 2002, respectively)	24,021	25,232
9% Series B convertible redeemable preferred stock, (44,246 and 46,479 shares outstanding at June 30, 2003 and December 31, 2002, respectively, $2 million redemption value at June 30, 2003 and December 31, 2002)	2,147	2,256
Common stock, $1.00 par value, 600,000,000 shares authorized (113,059,195 shares outstanding at June 30, 2003 and December 31, 2002)	113,059	113,059
Additional paid-in capital	1,202,812	1,202,812
Warrants	11,268	11,268
Accumulated deficit	(2,502,327)	(2,487,843)
Total shareholders' (deficit)	(1,149,020)	(1,133,216)
Total liabilities and shareholders' (deficit)	$ —	$ —

See notes to condensed financial statements

GLOBALSTAR TELECOMMUNICATIONS LIMITED
(A General Partner of Globalstar, L.P.)

CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Equity in net loss applicable to ordinary partnership interests of Globalstar, L.P	$ 3,741	$ 9,151	$ 4,895	$ 27,970
Net loss	3,741	9,151	4,895	27,970
Preferred dividends on convertible redeemable preferred stock	4,795	4,795	9,589	10,080
Net loss applicable to common shareholders	$ 8,536	$ 13,946	$ 14,484	$ 38,050
Net loss per share — basic and diluted	$ 0.08	$ 0 12	$ 0.13	$ 0.34
Weighted average shares outstanding — basic and diluted	113,059	113,057	113,059	112,571

See notes to condensed financial statements

GLOBALSTAR TELECOMMUNICATIONS LIMITED
(A General Partner of Globalstar, L.P.)

CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2003	2002
Operating Activities:		
Net loss	$(4,895)	$(27,970)
Equity in net loss applicable to ordinary partnership interests of Globalstar, L P	4,895	27,970
Net cash provided by operating activities	—	—
Investing Activities:		
Net cash used in investing activities	—	—
Financing Activities:		
Net cash provided by financing activities	—	—
Net increase (decrease) in cash and cash equivalents	—	—
Cash and cash equivalents, beginning of period	—	—
Cash and cash equivalents, end of period	$ —	$ —
Noncash Transactions:		
Common stock issued upon conversion of convertible preferred securities	$ —	$ 63,318
Dividends accrued	$ 9,589	$ 10,080

See notes to condensed financial statements

GLOBALSTAR TELECOMMUNICATIONS LIMITED
(A General Partner of Globalstar, L.P.)

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared by Globalstar Telecommunications Limited ("GTL") pursuant to the rules of the Securities and Exchange Commission ("SEC") and, in the opinion of GTL, include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of financial position, results of operations and cash flows as of and for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to SEC rules The results of operations for the three and six months ended June 30, 2003 are not necessarily indicative of the results to be expected for the full year. These condensed financial statements should be read in conjunction with GTL's Annual Report on Form 10-K for the year ended December 31, 2002

2. Organization and Business

GTL, a general partner of Globalstar, L P , a Delaware limited partnership ("Globalstar"), was created to permit public equity ownership in Globalstar. GTL does not have any operations, personnel or facilities, and does not manage the day-to-day operations of Globalstar. GTL's sole asset is its investment in Globalstar, and GTL's results of operations reflect its share of the results of operations of Globalstar on an equity accounting basis. In 2000, Globalstar's losses reduced GTL's investment in Globalstar's ordinary and preferred partnership interests to a book value of zero. Accordingly, GTL discontinued providing for its allocated share of Globalstar's net losses and recognized the remaining unallocated losses as a result of its general partner status in Globalstar.

Because GTL is a general partner of Globalstar, GTL is jointly and severally liable with the other general partner for the recourse debt and other recourse obligations of Globalstar to the extent Globalstar is unable to pay such debts. GTL believes that such recourse obligations totaled approximately $1 4 billion as of June 30, 2003 Certain of Globalstar's debt, including the public debt, is non-recourse to the general partners. On February 15, 2002, the other general partner of Globalstar, Loral QUALCOMM Satellite Services, L.P ("LQSS"), filed a voluntary petition under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"). Effective February 15, 2002, Globalstar ceased allocating additional losses associated with recourse debt to LQSS As the only remaining general partner of Globalstar that has not filed for bankruptcy protection, GTL has been allocated all losses related to debt that is recourse to general partners since February 15, 2002. As a result of its general partner status, GTL has recorded a cumulative liability of $885.7 million.

In 2001, an issue was raised as to whether the three-year notes issued to the guarantors of The Chase Manhattan Bank $250 million credit facility were prepared in accordance with the recourse provisions of the guarantee arrangement. Management does not believe the existing notes containing non-recourse language will need to be replaced with notes not containing the non-recourse language. If the existing non-recourse notes were replaced with notes not containing the non-recourse language, the replacement would not impact Globalstar's results of operations. However, allocations of Globalstar's losses to general partners, including GTL, would increase by $254 million, the amount of the increase in recourse obligations, including interest accrued as of the Petition Date. Replacement of the notes would not alter the subordinate position of GTL's shareholders relative to holders of these notes

As of June 30, 2003, GTL owned 42.4% of Globalstar's outstanding ordinary partnership interests, 100% of Globalstar's outstanding 8% convertible redeemable preferred partnership interests and 100% of Globalstar's outstanding 9% convertible redeemable preferred partnership interests

GLOBALSTAR TELECOMMUNICATIONS LIMITED
(A General Partner of Globalstar, L.P.)

NOTES TO CONDENSED FINANCIAL STATEMENTS — (Continued)

On February 15, 2002 (the "Petition Date"), Globalstar and certain of its subsidiaries filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court ("Bankruptcy Court") for the District of Delaware (Case Nos 02-10499, 02-10501, 02-10503 and 02-10504) (collectively, the "Chapter 11 Cases"). Globalstar and its debtor subsidiaries remain in possession of their assets and properties and continue to operate their businesses as debtors-in-possession. As a result of Globalstar's bankruptcy petition, several of Globalstar's debt obligations were accelerated and became immediately due and payable. Globalstar's bankruptcy filing and proposed liquidation, after the sale of its operating assets, as described below, will leave shares in GTL with no value In such circumstances, it is anticipated that following the effectiveness of a Chapter 11 plan in Globalstar's Chapter 11 Cases GTL will be liquidated and cease to exist. These factors, among others, raise substantial doubt about GTL's ability to continue as a going concern However, as GTL is not currently in a liquidation process, the accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Management believes that if GTL were liquidated, there would be no assets available to shareholders or creditors.

Under auction procedures approved by the Bankruptcy Court on February 20, 2003, ICO Global Communications (Holdings) Limited ("ICO"), one of the three qualified investors that participated in the auction, was ultimately selected as the bidder proposing the highest and best offer for Globalstar's assets On April 25, 2003, a day after hearing oral argument by the interested parties, the judge signed an order approving ICO's proposed transaction. Globalstar and ICO subsequently entered into an investment agreement (the "ICO Investment Agreement"), and Globalstar and an affiliate of ICO (the "ICO DIP Lender") subsequently entered into a $35 million secured, super priority debtor-in-possession credit agreement (the "ICO DIP Facility") as of May 19, 2003. These documents were filed with a Form 8-K on May 23, 2003

Pursuant to the ICO Investment Agreement, ICO will invest $55 million in a newly formed Delaware corporation to which substantially all of Globalstar's assets will be transferred ("New Globalstar"). In exchange for such cash contribution, ICO will receive a 54% ownership interest in New Globalstar, with the remaining 46% to be issued to Globalstar and thereafter distributed to Globalstar's unsecured creditors. Subject to certain conditions, up to $35 million of the $55 million to be invested is being made available under the ICO DIP Facility to fund Globalstar's ongoing operations until the closing of the ICO transaction. A portion of the $35 million was used to retire Globalstar's previous debtor-in-possession financing with a consortium of five lenders, including the ICO DIP Lender There are certain conditions, including, among others, Globalstar's entering into satisfactory agreements with QUALCOMM Incorporated ("QUALCOMM") related to certain products and services and approval by the United States Federal Communications Commission of the transfer of Globalstar's spectrum licenses to New Globalstar, that must be satisfied before the ICO transaction can be consummated. If the ICO transaction is consummated, it is currently contemplated that Globalstar will effect a Chapter 11 plan providing for (i) the liquidation of its assets, principally through the distribution of the 46% equity interest in New Globalstar to its unsecured creditors, and (ii) the winding down of its operations.

The ICO Investment Agreement provides that, subject to certain limitations, New Globalstar will use its commercially reasonable efforts to ensure that shareholders of GTL as of the effective date of Globalstar's Chapter 11 plan are given the opportunity to participate in the first underwritten public offering of equity securities, if any, made by New Globalstar on or before the seventh anniversary of such effective date, provided that (i) doing so will not result in any material expense to New Globalstar or have an adverse effect on the success of such offering or result in any material delay of the completion of such offering, and (ii) such obligation will automatically terminate upon a change of control of New Globalstar or if GTL dissolves or takes other action adverse to the debtors prior to the effective date of Globalstar's plan of reorganization

GLOBALSTAR TELECOMMUNICATIONS LIMITED
(A General Partner of Globalstar, L.P.)

NOTES TO CONDENSED FINANCIAL STATEMENTS — (Continued)

No assurance can be given as to whether or when the ICO transaction will be consummated or whether or when a Chapter 11 plan will be confirmed or effectuated In the event that the proposed ICO transaction is successfully consummated and a Chapter 11 plan of Globalstar as described above is confirmed, it is contemplated that GTL will file a petition for bankruptcy relief and wind down its operations

3. Summary of Significant Accounting Policies

Stock Based Compensation

GTL accounts for stock-based employee compensation in accordance with the provisions of Accounting Principles Board Opinion No 25, "Accounting for Stock Issued to Employees," ("APB No. 25") and related interpretations and complies with the disclosure provisions of Statement of Financial Accounting Standards No 123, "Accounting for Stock-Based Compensation," ("SFAS No 123")

The following table illustrates the effect on GTL's reported net loss applicable to common shareholders and net loss per share if GTL had applied the fair value recognition provision of SFAS No 123 to stock-based employee compensation (in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2003	June 30, 2002	June 30, 2003	June 30, 2002
Net loss, as reported	$8,536	$13,946	$14,484	$38,050
Less· Total stock-based employee compensation expense determined under the fair value method for all awards	437	1,187	876	2,453
Pro-forma net loss	$8,973	$15,133	$15,360	$40,503
Reported basic and diluted loss per common share	$ 0 08	$ 0 12	$ 0 13	$ 0 34
Pro-forma basic and diluted loss per common share	$ 0 08	$ 0 13	$ 0 14	$ 0 36

Earnings Per Share

Due to GTL's net losses for the three months and six months ended June 30, 2003 and 2002, diluted weighted average common shares outstanding excludes the weighted average effect of (i) the assumed conversion of GTL's 8% Series A convertible redeemable preferred stock, due 2011 (the "8% Preferred Stock") into 9 4 million common shares for the three and six months ended June 30, 2003 and 2002, (see Note 4), (ii) the assumed conversion of GTL's 9% Series B convertible redeemable preferred stock, due 2011 (the "9% Preferred Stock") into 0 8 million common shares for the three months ended June 30, 2003 and 2002, and into 0 8 million and 1 3 million common shares for the six months ended June 30, 2003 and 2002, respectively (see Note 4), and (iii) the assumed exercise of outstanding options and warrants for 12 0 million common shares for the three and six months ended June 30, 2003 and 2002, as their effect would have been anti-dilutive Accordingly, basic and diluted net loss per share is based on the net loss applicable to common shareholders and the weighted average common shares outstanding for the three months and six months ended June 30, 2003 and 2002, respectively

Comprehensive Loss

During the periods presented, GTL had no transactions or other events that under generally accepted accounting principles are recorded as an element of stockholders' deficit but are excluded from net loss Accordingly, a statement of comprehensive loss has not been provided

4. Convertible Redeemable Preferred Stock

GTL's 8% Preferred Stock and 9% Preferred Stock have mandatory redemption dates in 2011 Under the terms of the mandatory redemption, GTL may make payments to the holders in either cash or common stock,

GLOBALSTAR TELECOMMUNICATIONS LIMITED
(A General Partner of Globalstar, L.P.)

NOTES TO CONDENSED FINANCIAL STATEMENTS — (Continued)

or a combination of both. Based upon the price of GTL's common stock at June 30, 2003 and December 31, 2002, GTL has not authorized a sufficient number of shares of common stock to effect payment in common stock. Accordingly, GTL classified $204,185,000 and $202,865,000 as of June 30, 2003 and December 31, 2002, respectively, of the 8% Preferred Stock and 9% Preferred Stock outside the shareholders' deficit section of the balance sheet based on GTL's average common stock price in the 10-day period preceding the end of those periods (approximately $0 06 as of June 30, 2003 and December 31, 2002). The number of shares of GTL common stock that would be issuable on the mandatory redemption date depends on factors at the redemption date including the price of GTL's common stock and the number of shares of 8% Preferred Stock and 9% Preferred Stock outstanding at the time of the redemption. The amount of the 8% Preferred Stock and 9% Preferred Stock classified outside the shareholders' deficit section will vary in future periods depending on these variables. No dividends have been paid on the 8% Preferred Stock or 9% Preferred Stock since December 31, 2000.

In the six months ended June 30, 2003, no shares of the 8% Preferred Stock were converted into shares of GTL common stock. As of June 30, 2003, the 8% Preferred Stock had an aggregate liquidation preference equal to its $218 million aggregate redemption value and a mandatory redemption date of February 11, 2011 The outstanding shares of 8% Preferred Stock as of June 30, 2003 were convertible into 9,365,807 shares of GTL common stock.

In the six months ended June 30, 2003, no shares of 9% Preferred Stock were converted into shares of GTL common stock. As of June 30, 2003, the 9% Preferred Stock had an aggregate liquidation preference equal to its $20 million aggregate redemption value and a mandatory redemption date of February 11, 2011. The outstanding shares of 9% Preferred Stock as of June 30, 2003 were convertible into 750,213 shares of GTL common stock

5. Commitments and Contingencies

On February 28, 2001, plaintiff Eric Eismann filed a purported class action complaint against GTL in the United States District Court for the Southern District of New York. The other defendants named in the complaint were Loral Space & Communications Ltd. ("Loral") and Bernard Schwartz, the former Chief Executive Officer of Globalstar Globalstar was not a named defendant in these actions. The complaint alleges that (a) GTL and Mr. Schwartz violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, by making material misstatements or failing to state material facts about GTL's business and prospects and (b) that Loral and Mr. Schwartz are secondarily liable for these alleged misstatements and omissions under Section 20(a) of the Exchange Act as alleged "controlling persons" of GTL The class of plaintiffs on whose behalf this lawsuit has been asserted consists of all buyers of GTL common stock from December 6, 1999, through October 27, 2000, excluding the defendants, officers and directors of GTL and certain persons affiliated therewith. Eighteen additional purported class action complaints were subsequently filed in the United States District Court for the Southern District of New York These complaints were granted class action status and consolidated into a case known as *In Re Globalstar Securities Litigation,* 01 Civ. 1748 (SHS) On September 26, 2001, the court appointed The Phillips Family as Lead Plaintiff for the class. On November 13, 2001, the Lead Plaintiff filed a Consolidated Amended Class Action Complaint and a demand for jury trial. The amended complaint drops the cause of action against certain individuals and adds causes of action against Globalstar and its wholly-owned subsidiary, Globalstar Capital Corporation ("Globalstar Capital") GTL and Globalstar believe that they have meritorious defenses to these actions and on or about February 25, 2002, filed a motion to dismiss the complaint. The case against Globalstar and Globalstar Capital is stayed pursuant to the Bankruptcy Code. There are, however, no assurances that the defenses to these actions will be successful

GLOBALSTAR, L.P., A DEBTOR-IN-POSSESSION

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except partnership interests)
(Unaudited)

	June 30, 2003	December 31, 2002
ASSETS		
Current assets		
Cash and cash equivalents	$ 18,343	$ 15,284
Accounts receivable, net of allowance of $1,539 at June 30, 2003 and $2,030 at December 31, 2002	6,404	4,687
Inventory	2,546	1,294
Advances for inventory	3,777	1,019
Prepaid expenses and other current assets	7,181	6,880
Total current assets	38,251	29,164
Property and equipment		
Globalstar System, net	183,653	198,756
Other property and equipment, net	1,626	2,143
	185,279	200,899
Additional spare satellites	24,236	24,236
Production gateways, net of allowance of $6,192 at June 30, 2003 and $18,943 at December 31, 2002	5,150	12,553
Other assets, net	25,834	27,522
Total assets	$ 278,750	$ 294,374
LIABILITIES AND PARTNERS' (DEFICIT)		
Current liabilities		
Term loans	$ 16,110	$ —
Note payable to affiliate	2,958	—
Accounts payable	4,394	2,522
Payable to affiliates	1,181	7,745
Accrued expenses	7,692	6,419
Deferred revenue	1,648	2,365
Total current liabilities	33,983	19,051
Note payable to affiliate	4,371	—
Liabilities subject to compromise	3,422,582	3,425,921
Commitments and contingencies (Note 14) Partners' (deficit):		
8% Series A convertible redeemable preferred partnership interests (4,356,295 interests outstanding at June 30, 2003 and December 31, 2002, $218 million redemption value at June 30, 2003 and December 31, 2002)	—	—
9% Series B convertible redeemable preferred partnership interests (389,500 interests outstanding at June 30, 2003 and December 31, 2002, $20 million redemption value at June 30, 2003 and December 31, 2002)	—	—
Ordinary general partnership interests (45,910,604 interests outstanding at June 30, 2003 and December 31, 2002)	(3,146,127)	(3,114,193)
Ordinary limited partnership interests (19,937,500 interests outstanding at June 30, 2003 and December 31, 2002)	(239,740)	(239,740)
Warrants	203,335	203,335
Accumulated other comprehensive loss	346	—
Total partners' (deficit)	(3,182,186)	(3,150,598)
Total liabilities and partners' (deficit)	$ 278,750	$ 294,374

See notes to condensed consolidated financial statements

GLOBALSTAR, L.P., A DEBTOR-IN-POSSESSION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per ordinary partnership interest amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Revenues:				
Service	$ 8,713	$ 2,981	$16,561	$ 5,665
Subscriber equipment	5,148	1,404	8,878	2,461
Total revenue	13,861	4,385	25,439	8,126
Operating expenses:				
Cost of subscriber equipment	2,999	889	5,112	1,443
Operations	9,354	5,312	16,248	9,644
Marketing, general and administrative	6,924	9,739	14,230	29,569
Restructuring and reorganization	2,280	1,129	4,213	3,199
Depreciation and amortization	8,350	8,467	16,704	16,811
Total operating expenses	29,907	25,536	56,507	60,666
Operating loss	16,046	21,151	31,068	52,540
Interest income	1	—	1	101
Interest expense	527	—	615	46,515
Loss before taxes	16,572	21,151	31,682	98,954
Income tax expense	198	17	252	29
Net loss	16,770	21,168	31,934	98,983
Preferred distributions on redeemable preferred partnership interests	—	—	—	2,887
Net loss applicable to ordinary partnership interests	$16,770	$21,168	$31,934	$101,870
Net loss per ordinary partnership interest — basic and diluted	$ 0.25	$ 0.32	$ 0.48	$ 1.55
Weighted average ordinary partnership interests outstanding — basic and diluted	65,849	65,848	65,849	65,728

See notes to condensed consolidated financial statements.

GLOBALSTAR, L.P., A DEBTOR-IN-POSSESSION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2003	Six Months Ended June 30, 2002
Operating Activities:		
Net loss	$(31,934)	$(98,983)
Loss on failed satellite and disposal of fixed assets	2,527	(53)
Provision for gateway receivables	(28)	13,595
Provision for doubtful accounts	(73)	158
Amortization of unearned compensation	—	1
Depreciation and amortization	16,704	16,811
Non-cash interest expense	—	8,388
Changes in operating assets and liabilities		
Accounts receivable	(2,012)	(755)
Inventory	(1,252)	125
Advances for inventory	(2,758)	(872)
Prepaid expenses and other current assets	786	3,687
Other assets	(165)	(4)
Accounts payable	1,873	559
Payable to affiliates	996	423
Accrued expenses	1,301	384
Accrued interest and other	—	38,125
Deferred revenue	(717)	(1,133)
Net cash (used in) operating activities	(14,752)	(19,544)
Investing Activities:		
Cash receipts for production gateways and user terminals	2,207	42
Construction in progress	(542)	—
Purchases of property and equipment	(98)	(116)
Acquisition, net of cash acquired	(212)	—
Investments in service provider	—	(1,228)
Net cash provided by (used in) investing activities	1,355	(1,302)
Financing Activities:		
Proceeds from term loans	26,259	—
Repayment of term loans	(10,149)	—
Net cash provided by financing activities	16,110	—
Effect of exchange rate changes on cash	346	4
Net decrease in cash and cash equivalents	3,059	(20,842)
Cash and cash equivalents, beginning of period	15,284	55,625
Cash and cash equivalents, end of period	$ 18,343	$ 34,783
Noncash Transactions:		
Settlements of receivables offset by payables and payables to affiliates	$ (2,479)	$ (1,340)
Conversion of redeemable preferred partnership interests into ordinary partnership interests		$ 63,318
Dividends accrued		$ 2,887

See notes to condensed consolidated financial statements

GLOBALSTAR, L.P., A DEBTOR-IN-POSSESSION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Globalstar, L.P., a Delaware limited partnership ("Globalstar"), pursuant to the rules of the Securities and Exchange Commission ("SEC") and, in the opinion of Globalstar, include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of financial position, results of operations and cash flows as of and for the periods presented. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such SEC rules The results of operations for the three and six months ended June 30, 2003 are not necessarily indicative of the results to be expected for the full year. These condensed consolidated financial statements should be read in conjunction with Globalstar's Annual Report on Form 10-K for the year ended December 31, 2002.

2. Organization and Business

The governing body of Globalstar is the General Partners' Committee. This Committee may have up to seven members, five of whom may be appointed by the managing general partner of Globalstar, Loral QUALCOMM Satellite Services, L.P. ("LQSS") The general partner of LQSS is Loral/ QUALCOMM Partnership, L.P. ("LQP"), a Delaware limited partnership, comprised of subsidiaries of Loral Space & Communications Ltd., a Bermuda company ("Loral"), and QUALCOMM Incorporated ("QUALCOMM"). The managing general partner of LQP is Loral General Partner, Inc. ("LGP"), a subsidiary of Loral. As of June 30, 2003, Loral owned, directly or indirectly, 25,163,207 (approximately 38.2%) of the ordinary partnership interests of Globalstar, including interests attributable to 9,902,990 shares of Globalstar Telecommunications Limited ("GTL") outstanding common stock. On July 10, 2003, LGP appointed three officers of Globalstar to succeed three officers of Loral on the General Partners' Committee that resigned in connection with the Loral Settlement described in Note 15 below In addition, effective June 6, 2003, Olof Lundberg resigned as Chief Executive Officer of Globalstar and from the General Partners' Committee. Mr Lundberg has not been replaced on the General Partners' Committee.

Globalstar was founded to design, construct and operate a worldwide, low-earth orbit satellite-based wireless digital telecommunications system (the "Globalstar System") The Globalstar System's worldwide coverage is designed to enable its service providers to extend modern telecommunications services to millions of people who currently lack basic telephone service and to enhance wireless communications in areas underserved or not served by existing or future cellular systems, providing a telecommunications solution in parts of the world where the build-out of terrestrial systems cannot be economically justified. In 1995, the United States Federal Communications Commission (the "FCC") granted the necessary license to a wholly-owned subsidiary of LQP to construct, launch and operate the Globalstar System. LQP, which has agreed to use such license for the exclusive benefit of Globalstar, will, subject to FCC approval, transfer the license to Globalstar in connection with the Loral Settlement described below in Note 15.

GTL was incorporated in 1994 as an exempted company under the Companies Act 1981 of Bermuda. GTL's sole business is acting as a general partner of Globalstar and its sole assets consist of its equity interests in Globalstar. As of June 30, 2003, GTL owned 27,911,240 (42 4%) of Globalstar's outstanding ordinary partnership interests and 100% of Globalstar's outstanding 8% and 9% convertible redeemable preferred partnership interests ("RPPIs")

Globalstar operates in one industry segment, satellite telecommunications, providing global mobile and fixed wireless voice and data services.

Globalstar has incurred cumulative ordinary partnership losses of $5 2 billion through June 30, 2003, which have been funded primarily through the issuance of partnership interests and debt by Globalstar.